

THE A B C OF THE FOREIGN AND COLONIAL EXCHANGES
OF GOLD, SILVER AND INCONVERTIBLE PAPER, UPON
NORMAN'S UNIT OF WEIGHT SYSTEM.

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THE writer is convinced that the first step towards the formulation of the science of true money will be to arrive at signs through the things signified. The British pound is a sign for 113'0016 grains of fine gold in the British Isles. Every gold standard country in the world has a sign for the same weight, *e.g.*, *f.* 25'22 *c.* in France. The pound in the British Isles and *f.* 25'22 *c.* in France are fixed signs for 113'0016 grains troy of fine gold at the Mint issue weight of the chief moneys of account of the two countries. The Indian rupee is a sign for 165 troy grains of fine silver in India and some other countries. Every silver standard country in the world has a sign for the same weight, *e.g.*, 43'78 cents. in Mexico, 321'6 cash in Shanghai. Another important step is to understand that any alteration in the proportion between gold and silver evidenced in a change in the gold price of silver and the silver price of gold, has immediate effect upon international prices of commodities produced in a silver standard country and consumed in a gold standard country, and *vice versa*. A third, and perhaps the most important step, is to thoroughly understand the mechanism of the foreign and colonial exchanges of gold for gold, or for silver, or for inconvertible paper; silver for silver, or for gold, or for inconvertible paper; inconvertible paper for inconvertible paper, or for gold, or for silver. It is also most important to remember that there are two metal measures of value in the world. Gold, which is used by the more highly civilised countries in the Western world, and silver, which is used by 700,000,000 people of the East and in Mexico; while at present 200,000,000 peoples of the world effect their internal and international interchanges by means of inconvertible paper. It is not an uncommon thing to hear it said that the world has only one measure of value, and that is gold at present. Should the comparative cost of the production of the two metals become in the proportion of ten parts of silver to one part of gold, and no laws interfered with the interchange of the two metals, silver would become the accredited metal and gold would become the discredited metal. The present generation of peoples has seen this when France changed her silver currency for gold in obedience to the Gresham law—that the cheaper metal will drive the dearer metal out of any country attempting to keep the two in circulation, under the impression that two metals can be made to act as one true standard and measure of value.

THE MECHANISM OF THE FOREIGN AND COLONIAL EXCHANGES.

A. in the British Isles has to pay B. in France 11,300'16 grains troy of fine gold, or *f.* 2,522, which at par is £100. The expressions *f.* 2,522 and £100 are signs in the respective countries for 11,300'16 grains of fine gold. C. in France has to pay D. in the British Isles £100.

Instead of A. shipping gold to B., and C. shipping gold to D., A. pays the weight of gold to D., and C. pays the weight of gold to B. through the instrumentality of a bill of exchange. By these means two debts are extinguished and four parties are satisfied. If the gold currency of the British Isles is so debased that the weight of fine gold in 100 sovereigns is only 10,170·15 troy grains, or 10 per cent. less than the Mint issue weight of them, and the French gold currency is at Mint issue weight, then £110 would have to be paid for the 11,300·16 grains of fine gold. But under the present law the Bank of England is compelled to exchange its notes by payment of sovereigns of not less than the weight of 122·5 grains, or 112·29 grains of fine gold each. At the present time the arrangements in France are such that the par of exchange between that country and the British Isles is *f.* 25·22 *c.* for one British pound.

A bill of exchange is an order addressed by one party to another to pay a certain sum, for value received, at sight of the order, or a period after sight, to some third party or order.

The mechanism of the transaction is as follows:—D. draws a bill upon C. for 11,302·16 grains of fine gold, or £100. A. buys the bill, paying more or less than 11,300·16 grains of gold, dependent upon whether the British Isles are paying gold to or receiving gold from France. A. sends the bill to B., C. pays B. the 11,300·16 grains of gold. If France is sending gold to the British Isles, the charges connected with the transmission of it, both in France and the British Isles, have to be added to the weight of gold to be paid for the bill of exchange in France. If France is receiving gold from the British Isles, the weight of gold to be paid for the bill in France would be less than the weight of gold to be received in the British Isles on the payment of the bill. This illustration applies only to an exchange transaction between two countries, both of which possess effective gold standard monetary systems.

This illustration of the exchange between two gold standard countries is in everything, excepting the substance, applicable to the exchange between two silver standard countries which possess effective monetary systems. The rupee in India, 43·78 cents. in Mexico, and 321·6 cash in Shanghai, are fixed signs for 165 grains of fine silver at Mint issue weight of the chief moneys of account of India and Mexico.

There are exchanges between two countries, one of which has an effective gold monetary system, and the other an effective silver monetary system. Assume that A. in the British Isles owes B. in India Rs. 10,000. Take the gold price of silver in the British Isles at 46 pence per standard ounce, or 444 grains of fine silver. This is actually 8 grains of fine gold for 165 grains of fine silver. The price of the Rs. 10,000, or 1,650,000 troy grains of silver in the British Isles would be £707. 19s. or 80,000 grains of fine gold. C. in India owes D. in the British Isles £707. 19s. D. draws a bill on C. for Rs. 10,000. On payment of the bill all parties are satisfied. A. would have to pay more or less than £707. 19s. for the bill of Rs. 10,000, dependent upon whether the British Isles at the time of the purchase are sending silver to India or receiving silver from India. If silver is being sent to India, which, as a rule, is the case, A. would have to pay something like $3\frac{1}{4}$ per cent. more for the bill, because of transmission to, and coinage charges, etc., in India. If silver is

being received from India, A. would have to pay less than £707. 19s., or 80,000 grains of gold by the transmission, etc., charges on sending the silver from India, say $\frac{3}{4}$ of 1 per cent.

As between gold standard countries there are fixed pars of exchange, so it is seen that there are fixed pars of exchange between silver standard countries. According to the American Mint returns, and the writer's gold and silver tables, there are, or should be, 256 fixed gold pars of exchange, and 225 fixed silver pars of exchange in the world, all these pars being fixed signs for equivalent weights of either gold or of silver.

There are exchanges between countries whose currencies consist of inconvertible paper. Take the Argentine Republic and Chili. Their bits of paper are called dollars. These dollars which the paper professedly represents may consist of gold or silver. But the paper not being worth the dollar, and being of exchange value only in the country in which it is produced, it is of no value as a medium of exchange. Between gold and silver standard countries, and countries possessing inconvertible paper, the exchange would be either gold or silver for inconvertible paper, or inconvertible paper for either gold or silver, as each country's measure of value is one or the other of these metals. Between countries with an effective measure of value and countries with inconvertible paper, there can be no such safeguards as fixed pars of exchange afford to international interchanges of commodities, etc. The country with the inconvertible paper has but a currency system, whereas the country which has either an efficient gold or silver standard or measure of value has a scientific and effective monetary system.

There is a prodigious amount of bills of exchange current in the world, the basis of which rests upon the world's interchanges of produce and manufactures. The letter of credit from a bank, or financial or mercantile house whose acceptances are considered as good as the metal mentioned in the credit, gives birth to a vast amount of these bills of exchange. A letter of credit is permission in writing, granted by one of the parties mentioned to another party, to draw bills of exchange upon the issuer of the credit for the sum mentioned therein, and the promise to pay the bills at maturity. In many countries these bills act as currency. As each person receives a bill of exchange he generally obtains the signature of the firm or individual from whom he receives it upon the back of the bill, and this makes the party signing responsible to the person who takes the bill for the payment of it at the date upon which it should be paid.

This may prove sufficient for a brief popular definition of a bill of exchange.

NORMAN'S UNIT OF WEIGHT SYSTEM.

To such among your readers who understand and make use of Norman's unit of weight system, the following will prove a *multum in parvo*, and the most complete and simple guide to working the exchanges between all countries possessing effective monetary systems, which has ever been presented to the world. For the measures of value used, or which should be used, in Newfoundland, Chili, Venezuela, Cuba, Tripoli and Hayti, the writer is indebted to the last return of the Director of the Mints of the United States:—

TABLE SHOWING THE WORLD'S STANDARD MEASURES OF VALUE OR CHIEF GOLD AND SILVER MONIES OF ACCOUNT IN THE ORDER OF THEIR MAGNITUDE.

COL. 1. Names of chief moneys of account and parts thereof.

COL. 2. Weight of fine gold or silver upon issue from the Mints.

COL. 3. Signs for one troy grain of fine gold or fine silver.

COL. 4. Signs for one troy ounce of fine gold or fine silver.

COL. 5. Names of countries whose internal and international interchanges are, or should be, based upon the weight of fine metal to which the names are attached.

(*) Denotes that the country to which it is attached has an inconvertible paper currency.

(a) That the country possesses a Mint.

(b) That the Mint is open to the unlimited reception of gold.

(c) That gold is unlimited legal tender.

(d) That both gold and silver are unlimited legal tender

(e) That the Mint is open to the unlimited reception of silver only.

(f) That silver is unlimited legal tender.

(x) That the Mint is open to the unlimited reception of both gold and silver. The Mints of the world's gold standard countries are not open to the unlimited reception of silver.

Col. 1.	Col. 2.	Col. 3.	Col. 4.	Col. 5.
Troy Grains of fine Gold and Silver on Issue from the Mint.	Sign for One Troy Grain of fine Gold and Silver.	Sign for One Troy Ounce of fine Gold and Silver.	Names of Countries wherein the Moneys of Account are Standards.	
GOLD.				
I. Pound of Egypt of 10 piastres or 1,000 ochrs.	8'7124 ochrs.	E 64.18 piastres 2 ochrs.	Egypt (a c).	British Isles (a b c), Australasia (a b c), Channel Islands (c), Fiji (c), New Guinea (c), Canada (c), Jamaica (c), Turks Islands (c), British Guiana (c), Bahama Islands (c), Trinidad (c), Tobago (c), Barbados (c), Grenada (c), St. Vincent (c), St. Lucia (c), Antigua (c), Montserrat (c), St. Kitts (c), Nevis (c), Virgin Islands (c), Dominica (c), Bermuda Islands (c), Falkland Islands (c), Cape of Good Hope (c), Natal (c), Zululand (c), St. Helena (c), Sierra Leone (c), Gambia (c), Gold Coast (c), Lagos (c), Malta (c), Cyprus (c), Transvaal (c), Royal Niger Co. Territories (c), Bechuanaland (c), Ascension (c), Tristan d'Acunha, Basutoland (c), Sandwich Isles.
II. Pound of British Isles of 20 shillings or 240 pence	114'7781 113'0016	2'123863 pence	£4. 4s. 11½d.	
III. Pound of Turkish of 100 piastres or 4,000 paras	102'0804	39'1848 paras 39'8589 milreis	T 64.70'21 piastres Milreis 19.132 27 reis	Turkey (a c).
IV. Milreis of 1,000 reis	25'0885			Portugal (a c), Cape Verde Isles (c), Zighinchor (c), Guinea (c), St. Thomas (c), Principe (c), Angola (c), Mozambique (c), Sofala (c), Delagoa Bay (c).

V.	Peso of 100 centavos	...	...	24'0150	4'1638 centavos	\$19 98'62 centavos	Uruguay.*
VI.	Dollar of 100 cents	...	...	23'5451	4'2471 cents	\$20.38'63c.	Newfoundland (c).
VII.	"	...	...	23'22	4'3066 "	\$20.67'16c.	United States of N.A. (a b d), Liberia (c).
VIII.	Gourde of "	...	...	22'4293	4'4384 "	\$21.42'15c.	Haiti.*
IX.	Peso of 100 centavos	...	...	22'4017	4'4639 "	\$21.42'67c.	Argentine Republic (a*).
X.	"	...	...	21'5019	4'6508 "	\$22.32'37c.	Cuba *
XI.	"	...	...	21'7223	4'7223 "	\$22.66'63c.	Chili (a*)
XII.	Milreis of 1,000 reis	...	...	12'682	78'8510 reis	Mil. 37.848 9 reis	Brazil (a*)
XIII.	Florin of 100 cents	...	...	9 346	16 6998 cents	Fl. 51.35'90c.	Netherlands (a b c), Guiana (c), Oman (c), Orange Free States (c).
XIV.	Crown of 100 ores	...	...	6'2228	16 07 ores	Cr. 77.13 6 ores	Denmark (a b c), Iceland (c), Faroe Isles (c), Greenland (c), St. Croix (c), St. Thomas (c), St. John (c).
XV.	Mark of 100 pfennings	...	...	5'5312	18 079 pfennings	Mk. 86.78 pfennings	Germany (a b), Togo Land (c), Dama and Nama Coast, Hinterland of E. Africa, New Guinea.
XVI.	Franc, &c., of 100 centimes	...	...	4'4803	22'32 centimes	Fr. 107.13 6c.	France (a b d), Italy (a*), Belgium (a b d), Switzerland (a b d), Greece (d*), Spain (a b d), Bulgaria (b c), Servia (d), Roumania (c), Finland (c), Cortu (d), Cephalonia (d), Zante (d), Santa Maura (d), Ithaca (d), Cerigo (d), Paxo (d), Gibraltar (c), Algeria (d), Tunis (d), Gaboon (d), Ogowe (d), Congo (d), Reunion (d), Comoro Isles (d), Obok (d), Guiana (d), Martinique (d), Guadeloupe (d), Senegal (d), St. Pierre (d), Miguelon (d), New Caledonia (d), Belgic State of Congo (d), Morocco (d).
SILVER.							
XVII.	Tael weight, of 1,000 cash	...	...	513'0607	1'9491 cash	935'56 cash	Shanghai, China.
XVIII.	Trade dollar of 100 cents	...	...	378	'2645 cents	\$1.27c.	Cochin China. If a tael weight of gold is worth £5. 6s., the sign for an ounce of silver is about 80s 33 cash. Trade dollar circulates here.
XIX.	Dollar of 100 cents	...	...	377'0586	'2652c.	\$1.27'3c.	Mexico (a c), Hong Kong (c), Singapore (c), Borneo (c), Labuan (c).
XX.	" or 2½ guilders of 100 cents	...	...	376'1434	'2658c.	\$1.27'7c.	This dollar is the chief coin of the Far East.
XXI.	Yen of 100 sen	...	...	374'4	'2671c.	\$1.28'2s.	Java (c), Madura (c), Sunda Isles (c), Borneo (c), Timor (c), New Guinea (c), Batavia (c).
XXII.	Dollar of 100 cents	...	...	360'5614	'2773c.	\$1.33'1c.	Japan (a c).
XXIII.	Peso of 100 cents	...	...	347'2278	'288c.	\$1.38 24c.	Penang (c), Manila (c), Marran Isles (c), Timau (c).
XXIV.	Malbut of 20 piastres	...	...	313'2101	'0639 piastres	Mah 1.10 piastres	Peru (a*) sol, Ecuador (c) sucre, Bolivia (c) boliviano, Costa Rica (c), Guatemala (c), Honduras (c), Nicaragua (c), Salvador (c), Columbia (c), Venezuela (a*) peso.
XXV.	Rouble of 100 copecks	...	...	277'722	'36 copecks	R. 1.73 2 copecks	Tripoli.
XXVI.	Tical of 8 fuangs or 32 phainings	...	...	206'285	'1551 phainings	T. 2.26 2 phainings	Russia (a*)
XXVII.	Florin of 100 kreutzers	...	...	171'4703	'5832 kreutzers	Fl. 2.80 kr.	Siam (a).
XXVIII.	Rupee of 16 annas or 192 pies	...	...	165	1'1636 pies	R. 2.14 54 annas	Austria Hungary (a*)
XXIX.	Bolivar of 100 cents	...	...	69'4468	1'44c.	Bol. 6.91'2c.	India (a c), Goa (c), Burmah (c), Tennasserim (c), Ceylon (c), Andaman Isles (c), Mauritius (c), Imperial British East Africa Co. Territories (c).
XXX.	Kran of 2 petrebits or 20 shahis	...	...	63'0316	'3173 shahis	Kr. 6.1'55s	Venezuela (a*)
XXXI.	Piastre of 16 karubs or 48 fells	...	...	43'0145	1'1159 fells	Pl. 11.2'6c. karubs	Persia (a).

THE GOLD PRICE OF SILVER AND THE SILVER PRICE OF GOLD.

The gold price of silver in gold standard countries and the silver price of gold in silver standard countries are given day by day in the world's market reports. It is easy to determine by these the relation established between gold and silver. The signs or market quotations must be resolved into the weights of fine gold and fine silver as may be indicated by the quotation, and thus the proportionate weight of one metal to the other will be found. Having this proportion, be it twenty, forty or eighty parts of silver to one part of gold, the sign which denotes an unit of weight of gold must be divided by the proportion of silver to gold, and the result will be the gold price of that weight of silver. The sign which denotes an unit of weight of silver must be multiplied by the proportion which silver bears to gold, and the result will be the silver price of that unit of weight of gold.

EXAMPLES.

The proportion of silver to gold is found to be twenty parts of silver to one of gold by the price of silver in London and of gold in Calcutta. The sign for an ounce troy of fine gold in London is £4. 4s. 11½*d.*; one-twentieth part of this makes the price for an ounce troy of fine silver 50'975 pence. The sign for an ounce troy of fine silver in Calcutta is Rs. 2-14'54 annas; twenty times this makes the price for one ounce troy of fine gold Rs. 58-2'8 annas.

